



Teachers' Retirement System

RETIRED
MEMBER EDITION

JULY
2019

479 Versailles Road
Frankfort, KY 40601
800-618-1687

How TRS Has Grown

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Your retirement system is about to hit a pretty big number. At the end of this coming fiscal year, the Teachers' Retirement System of the State of Kentucky will be 80 years old.

And like proud parents and grandparents, we can all say, "my how you've grown."

One of our recent presentation slides has a chart that shows the growth of TRS over the last 33 years. Why 33 years? It would be fun to say there is some economic theory that says 33 years is a perfect measurement of whatever, but the truth is I created this slide eight years ago as a 25-year look back and have added to it each year ever since.

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Kentucky's Retired Teachers Benefit from Personalized Medicine for Wellness, Life Saving

TRS's Personalized Medicine project, a wellness program for retired teachers that also has the potential to save and extend lives, already is getting results and is growing faster than anticipated. The pilot program tests DNA to determine whether medications being taken – or that may be taken – will be effective.

In just six months, medical and prescription claims are down 17% for those who've fully gone through the program, compared to an increase of 2.5% for a control group not involved.

At the individual level, the DNA testing has resulted in a recommendation to change a medication 64% of the time, with 94% of those recommendations being accepted by the prescribing doctor.

For one retired teacher's spouse in the pilot program, a call to the program's pharmacists after a hospitalization for a heart attack meant a change in the

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TRS Now

Schedule of Funds Available for Retirement Benefits

	<i>in billions</i>
Beginning Balance as of July 1, 1985	\$ 1.8
Member & Other Contributions	7.3
Employer Contributions	13.4
Investment Income	26.5
Benefit Payments & Refunds	(28.7)
Administrative Expenses	(0.2)
Ending Balance as of June 30, 2018	\$20.1

Kentucky's largest financial institution

Slide used in presentations to track TRS pension fund growth.

This chart begins with TRS's pension assets as of July 1, 1985, which were \$1.8 billion. Since then you and your fellow teachers have contributed \$7.3 billion, and your employers have put in \$13.4 billion. Those contributions are the seeds for where TRS is now.

Those seeds produced investment income in that timeframe of \$26.5 billion – that's nearly \$6 billion more than the combined contributions.

Many of you have heard me through the years talk about the power of compounding, which allows your contributions and the resulting investment income to earn their own investment income. That, and the continued power of ongoing contributions and investment income, leads to exponential growth. The result is a fund that, while paying \$28.7 billion in benefits and \$200 million in administrative expenses during this 33-year period, grew by more than \$18 billion to \$20.1 billion as of June 30, 2018.

It is so good after years of underfunding to be able to say that your pension fund is receiving

full funding in the current state budget. With full funding provided, we can see the full growth potential and power of those contributions as well as the stability and strength they provide to your pension fund.

Along with the power of compounding, one of the other big takeaways of this look back is it shows that as long as everyone pays what they are supposed to, each member's account is actuarially sound – even if it were the only account. As you can see – even with the past underfunding and lost income that would have come from those missing funds – the investment income covered the bulk of the benefits that were paid.

Besides telling us how much money TRS will need in future years, the actuaries also are telling us that very few of us will be here to witness when the retirement system's age doubles to 160 years. But wouldn't it be fascinating to see what these seeds of today look like in that distant tomorrow? I suspect future teachers and the administrators of their retirement system, will say, "my, how you've grown."

blood thinner being prescribed. The spouse's DNA indicated that the blood thinner originally ordered by the doctor wouldn't have worked and that would have left the spouse susceptible to another heart attack.



Enrollment in the program, which now is over 8,000 people, is open to the TRS Medicare Eligible Health Plan (MEHP).

TRS has two essential partners that make the program work. Coriell Life Sciences conducts DNA testing of saliva samples volunteered by retirees. Coriell's reports go to the Know Your Rx Coalition, where its pharmacists then look at an MEHP member's current prescriptions and discuss the results with the member. The Know Your Rx pharmacists then give any recommendations to patients and their prescribing physicians.

The pilot is a new role for the Know Your Rx Coalition, which is a drug-purchasing coalition and a medication therapy management team of pharmacists that helps TRS's retired population more wisely purchase effective, lower-cost medications. Pharmacists have been added to the coalition to get through a backlog of DNA reports that was created because the pilot program is so popular.

The science behind the personalized medicine project is called pharmacogenomics.

Pharmacogenomics is the science of using DNA to see what drugs will be safe and effective for retirees. DNA tests indicate how fast a retiree will metabolize certain drugs, which could make them toxic or ineffective for the individual. The testing replaces the archaic trial-and-error process still currently employed by many doctors to find the right medication for a patient.

Based on numerous studies, nationally half of the medications that patients take are ineffective, and the fourth leading cause of death in the United

States is adverse reactions to medication. For the TRS Medicare population, with an average age of 74, retirees take an average of 15 prescriptions.

TRS was introduced to the science over a decade ago, and



discussions about starting a pilot project began in earnest with TRS's insurance consultant Aon in 2016. That led to a request for proposals late that year and the selection in 2017 of Coriell, whose founder Lou Coriell worked with Jonas Salk to develop the polio vaccine.

The pilot began in late 2017.

The program has garnered national notice.

TRS won first place in the 2018 State and Local Government Benefits Association (SALGBA) Challenge for this pharmacogenomics pilot.

In March, TRS presented at the National Institutes of Health's Genomics in Health and Wellness conference in Bethesda, Maryland. TRS also has been asked to present at Harvard University medical school in the fall to the Personalized Medicine Coalition's Personalized Medicine Conference.

With the success of the pilot, TRS has begun discussions about possibilities for expanding the program, including with private industry and the Kentucky Employees' Health Plan (KEHP), which provides health insurance for under-65 retirees who are not eligible for Medicare. The KEHP is the same plan that covers active teachers and state employees. Discussions also include other members of the Know Your Rx Coalition and others interested in the program.

"There's a great deal of buzz around this, TRS and the Know Your Rx Coalition are getting lots of questions about this. What retired teachers have today in Kentucky is saving money and lives – and could someday be used even more broadly."

— Gary Harbin

If you are on the MEHP and would like a DNA kit for the personalized medicine program, contact Coriell at 888-454-9024 or www.coriell.com/trs.

Lexington Teacher Re-Elected to Board; Banker Elected As Lay Trustee

Current teacher trustee Ali Wright won a second term on the TRS Board of Trustees as a result of this year's members' elections, which also saw bank executive Bill Alverson elected as a lay trustee. The four-year terms began July 1.



Wright

Wright, of Georgetown, has been on the board since 2015 and was the vice chair for the 2018-19 fiscal year. She was chosen by the board at its June 17 meeting to be the chair for the 2019-20 fiscal year.

She is a National Board Certified math teacher serving as the Professional Growth and Effectiveness System (PGES) instructional coach at Leestown Middle in Lexington. Previously, she taught at E.J. Hayes Middle and Lafayette High.

From 2015 to 2018, Wright was a Kentucky Department of Education effectiveness coach.

In her 18th year as an educator, Wright has testified in Frankfort with the Kentucky Education Action Team and been published, including in Education Week. Wright earned her master's degree from Eastern Kentucky University with an emphasis in teaching mathematics.

Alverson, of Paris, is chief executive officer for Traditional Bank and has more than 34 years of banking experience. He is a former teacher and coach and helped establish the Paris Independent Schools Educational Foundation, of which he is a board member.



Alverson

Alverson also is a lifetime board member of The Lexington Hearing and Speech Center and a board member for Resources, Education and Assistance for Community Housing (REACH) and the Lexington Fayette County Affordable Housing Trust Fund.

Separately, trustee Frank Collecchia of Louisville, was reappointed to the board by Gov. Matt Bevin in April for a term expiring Mar. 10, 2023. Collecchia is a part-time faculty member at the University of Louisville.

The Board of Trustees consists of 11 members: seven people elected by the membership (four active teachers, one retiree, two lay trustees); two appointed by the governor with investment experience; the state treasurer; and the state education commissioner.

Under-65 retirees who are not Medicare eligible and will continue on the Kentucky Employees' Health Plan (KEHP) in 2020 are reminded that the non-single subsidy for next year will be one-third of the dependent premium, and members will have to pay two-thirds of that cost.

While the 2018 General Assembly allowed the TRS Board of Trustees to grant the non-single subsidy, no funding was provided.

Faced with the unfunded cost of the subsidy and knowing some retirees count on the subsidy, the TRS board instructed staff last year to meet with education stakeholder groups about the situation. Those meetings led to the board's decision to reduce the non-single subsidy over two years. In 2019, the subsidy is two-thirds of the dependent premium. In 2020, it will be one-third.

Watch for enrollment materials in the fall to determine the cost of dependent coverage on the KEHP.

By way of background, the non-single subsidy generally has been provided since 2005, to help pay the cost of coverage for those under-65 TRS retirees in the KEHP who want to cover dependents through a family, parent plus or couple plan. For most of that period, the state covered the cost of the subsidy, which is about \$10 million a year and benefits about 7 percent of all TRS retirees.

Without funding in the state budget, any subsidy approved by the trustees has to come from the TRS fund that is used for claims of the over-65 Medicare Eligible Health Plan (MEHP) – something that wasn't intended for these funds when the Shared Responsibility funding plan was passed in 2010.

Using the TRS fund for the subsidy for the dependents of under-65 retirees can be managed in the short term; however, it's unsustainable in the long term.

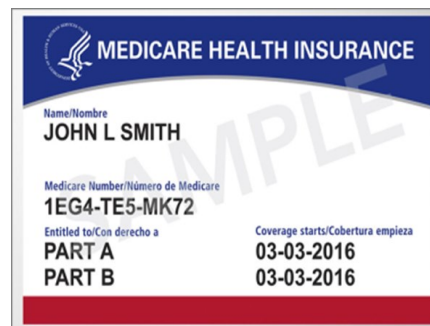
Members and dependents who are under 65 and eligible for Medicare because of a disability must switch to the TRS Medicare Eligible Health Plan (MEHP).

Medicare-eligible members are not permitted to be in the Kentucky Employees' Health Plan (KEHP). Please contact TRS immediately (at 800-618-1687) if you or any of your covered dependents are eligible for Medicare.

If you or any of your covered dependents are eligible for Medicare Part B and you do not elect Part B when first eligible, you will be responsible for the medical portion that Medicare Part B would

have paid on your medical claims and any late enrollment penalties assessed by Social Security.

Also, the cost to TRS to cover a Medicare-eligible member on the KEHP with only secondary coverage is more than double the cost of the MEHP. The policy helps ensure the continuation of affordable medical insurance for all TRS participants.



MEHP

Be Aware of Potential Changes at Federal Level Impacting MEHP

Changes at the federal level could result in a higher premium or other increases, such as drug plan copayments, next year for retirees in the Medicare Eligible Health Plan (MEHP).

The U.S. Department of Health and Human Services is proposing that formulary rebates be shared with the patient at the point-of-sale. While this sounds positive, those rebates have been used to reduce the cost of MEHP premiums for retirees.

The MEHP is a Medicare Part D Employer Group Waiver Plan that uses the rebates to keep premiums lower; keep out-of-pocket costs affordable both for specialty drugs and at-home delivery; and to stave off any financial penalty to our retirees inside the coverage gap (aka donut hole).

Without those rebates, MEHP premiums, drug plan copayments, coinsurance and/or

deductibles could increase in 2020.

Medicare has issued a two-year premium-relief subsidy for individual Medicare Part D plans on the open market but has excluded group Part D plans like TRS's MEHP from that financial relief. TRS officials are requesting that group plans like the MEHP be given the same relief, though it isn't known yet whether those requests will be successful.

In addition, the health insurance industry fee on Medicare Advantage plans like the TRS MEHP that was waived in 2017 and 2019 is scheduled to return in 2020. Legislation is proposed in both chambers of Congress to waive this fee again for 2020, but nothing has passed.

TRS will continue to monitor both federal issues above and will provide updates in the fall, including in the newsletter.

MEHP

Remember to Pay Your Medicare Part B Premium



If you are Medicare eligible, it is important to always make sure to pay your Part B premium. This is not a premium paid by TRS or to TRS. If you receive a Social Security benefit check, your Part B premium will be automatically deducted from your monthly Social Security. The 2019 monthly standard Medicare Part B premium is \$135.50. If you don't receive a Social Security benefit check, you will receive a bill called a "Medicare Premium Bill" quarterly. That quarterly bill will total 3 months of \$135.50 or \$406.50. If you don't pay that quarterly bill, or pay it late, your Medicare Part

B will be terminated and that will result in your TRS Medicare Eligible Health Plan termination.

If you receive a quarterly bill, there is a way to set payments to monthly and automatically. You can obtain a Medicare Easy Pay form from TRS, call Medicare at 1-800-MEDICARE or print the form from www.medicare.gov. By enrolling in Medicare Easy Pay you have your premiums debited from your checking or savings account monthly. This will help prevent the termination of your TRS MEHP by making sure your payment is made in a timely manner.

Planning to Visit TRS? What to Expect When Visiting

Members seeking information about their accounts or retiree medical insurance can come to TRS's Frankfort office any time that it is open – no appointment necessary. While walking in is perfectly fine, visitors will need to provide some information to make their visits as smooth as possible.

Members entering the TRS lobby at 479 Versailles Road and requesting to speak with a retirement counselor will be asked to write down their name, TRS ID (or last four digits of the member's Social Security number) and



the reason for the visit (for example, asking about different retirement options or insurance information).

Before meeting with the member in person about whatever issue a member has, the counselor will review the member's account.

TRS counselors can estimate a member's annuity at the time of retirement, describe how different retirement options work, discuss retiree health care and provide other details about benefits. However, counselors are not financial planners or tax advisors. Consequently, the decision to retire and what option to select is a member's and not

something a counselor can choose for a member.

Be aware that TRS gets its greatest numbers of visitors during the summer months when school is out, so waits are possible. Hours are 8 a.m. to 5 p.m. ET, Monday through Friday, excluding holidays.

Visits to TRS also are good opportunities to update personal information and provide required member documents that TRS may not yet have from a member. Personal information that can be updated includes: name, address, email and beneficiaries for a member's account and life insurance.

Members can ask the counselor if their file is missing any required documents, which include copies of the Social Security card, certified birth certificate and, if married, marriage certificate. Those documents can be put in the member's file, if brought, when a member visits TRS.



Teachers' Retirement System
of the State of Kentucky
479 Versailles Road
Frankfort, Kentucky 40601-3800



New Contact Information?

Keeping your contact information current ensures that you receive important communications from the Teachers' Retirement System, such as annual statements, newsletters, trustee election ballots, payment stubs and tax forms.

Even if you change your address with the school district where you work (or worked), the school district doesn't report that change to TRS. So, TRS needs to be notified of the change independently by members.

Besides your physical address, please keep email addresses and telephone numbers up to date.

TRS offers multiple ways to update your information, including by changing it in the Pathway member self-service portal. Also, members may mail or fax a signed letter to TRS with your name and TRS ID and the new information.

Finally, a downloadable form also is available from the website.

The fax is 502-848-8599, and the mailing address is: 479 Versailles Rd. Frankfort, KY 40601.

Website <https://trs.ky.gov>

 info@trs.ky.gov

 800-618-1687